

State Income Tax Credits, Rebates, and Modifications

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State Sales and Use Tax Exemptions

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**Table 1: State Income Tax Credits and Rebates
(Individual)**

Tax Credits and Effective Date	Effective Date	FY 2007	FY 2008	% change in amount
Child Care Credit	1/1/1996	\$4,239,332	\$4,193,622	-1%
Alternative Fuel Credit	7/1/1998	9,814,434	12,519,754	28%
Gross Conservation Easement Credit	1/1/2000	71,557,167	90,406,166	26%
Enterprise Zone Credits				
Investment tax credit	1/1/1986			
New business facility employee credit	1/1/1989			
Enhanced rural enterprise zone new business facility employee credit	1/1/2003			
New business facility agricultural employee processing credit	1/1/1989			
Agricultural processing employee credit	1/1/1989			
Enhanced rural enterprise zone agricultural processing employee credit	1/1/2003			
Enterprise zone employee health insurance credit	1/1/1989			
Contribution to enterprise zone administrator credit	1/1/1989			
Qualified job training program investment credit	1/1/1997			
Research and development credit	1/1/1989			
Rehabilitation of vacant buildings	1/1/1989			
Rural technology enterprise zone - /A	1/1/1999	16,122,101	19,199,532	19%
Other Credits				
Alternative minimum tax credit	1/1/1988			
Taxes paid to another state credit	1/1/1987			
Plastic recycling investment credit	1/1/1989			
Previous year income tax credit	1/1/1988			
Historic property preservation credit	1/1/1991			
Child care center investment credit	1/1/1992			
Child tax credit	1/1/1996			
Employer child care facility investment credit	7/1/1992			
School-to-career investment credit	1/1/1997			
Colorado Works Program credit	1/1/1998			
Child Care Contribution credit	1/1/1999			
Long-term care insurance credit	1/1/2000			
Contaminated land redevelopment credit	1/1/2000			
Low-income housing credit -/A	1/1/2001			
Weather-related livestock sale credit - /A	1/1/2002			
Aircraft manufacturer new employee credit	1/1/2006	180,893,626	188,618,806	4%
Totals	N/A	\$282,626,660	\$314,937,880	11%

/ A These credits are no longer offered.

However, they still impact revenue from credits that have been carried forward from previous tax years.

* Many of these credits can be claimed on individual and corporate returns.

This table includes only the individual impacts.

Source: Colorado Department of Revenue.

Prepared by Legislative Council Staff: April 15, 2009.

Table 2: State Income Tax Credits and Rebates
(Corporate)

Tax Credits and Effective Date	Effective Date	FY 2007	FY 2008	% Change in Amount
New investment tax	1/1/1986	\$663,284	\$728,396	10%
Gross conservation easement credit	1/1/2000	10,134,712	8,005,975	-21%
Alternative fuel credit and refueling facility credit	7/1/1998	104,120	162,584	56%
Enterprise zone investment tax credit	1/1/1986	22,746,994	21,300,508	-6%
Enterprise zone employee credits	1/1/1989	2,083,460	2,797,303	34%
Contribution to enterprise zone administrator credit	1/1/1989	380,607	642,482	69%
Other Enterprise Zone Credits				
Enterprise zone employee health insurance credit	1/1/1989	1,609,441	2,764,316	72%
Contribution to enterprise zone administrator credit	1/1/1989			
Qualified job training program investment credit	1/1/1997			
Research and development credit	1/1/1989			
Rehabilitation of vacant buildings	1/1/1989			
Other Credits				
Old investment tax - /A	1/1/1979	3,271,688	1,840,186	-44%
Impact assistance	1/1/1981			
Crop and livestock contribution	1/1/1982			
Historic property preservation	1/1/1991			
Employer child care facilities	7/1/1992			
Child care contribution	1/1/1999			
Child care center and family care home investment	7/1/1992			
School-to-career investment	1/1/1997			
Colorado coal purchases -/A	1/1/1989			
Rural technology - /A	1/1/1999			
Colorado Works Program	1/1/1998			
Contaminated land redevelopment credit	1/1/2000			
Low-income housing credit -/A	1/1/2001			
Weather-related livestock sale credit - /A	1/1/2002			
Aircraft manufacturer new employee credit	1/1/2006			
TOTAL		\$40,994,306	\$38,241,750	-7%

/ A These credits are no longer offered.

However, they still impact revenue from credits that have been carried forward from previous tax years.

* Many of these credits can be claimed on individual and corporate returns.

This table includes only corporate impacts.

Source: Colorado Department of Revenue.

Prepared by Legislative Council Staff: April 15, 2009.

Table 3: Income Tax Year 2006 Credits Claimed by Resident Filers in Calendar Year 2007
(based on a sampling of individual income tax returns)

Tax Credits	Total Amount Claimed	Total No. of Returns	Average Return
Credit for taxes paid to another state	\$150,029,806	42,771	\$3,508
Plastic recycling credit	456,549	406	1,125
CO minimum tax credit	9,650,177	5,757	1,676
Historic property preservation	1,130,189	255	4,432
Child care center investment	1,961,843	1,432	1,370
Employer child care facility	67,769	61	1,111
School-to-career	315,063	146	2,158
Colorado works program	68,233	66	1,034
Child care contribution	17,480,670	10,837	1,613
Rural tech EZ credit carryforward	262,064	37	7,083
Long term care insurance	4,046,967	19,038	213
Contaminated land redevelopment	243,115	32	7,597
Low-income housing	113,742	31	3,669
Weather-related livestock sale carryforward	9,837	11	894
Aircraft mfr new employee credit	19,631	33	595
Total personal credits	\$185,855,655	\$80,913	\$2,297

Note: Based on a sampling of individual income tax returns, this data does not include the full impact of each credit, has not been audited for accuracy, and is subject to revision. This subset of data is only available for income tax year 2006 credits claimed in 2007.

Source: Colorado Department of Revenue.

Prepared by Legislative Council Staff: April 15, 2009.

Table 4: 2005 Modifications on Individual Income Tax Returns

Effective Date	Additions		Subtractions						
	01/01/1992	N/A	01/01/1987	01/01/1987	1/1/1989	05/09/1994***	01/01/1998	N/A	
Adjusted Gross	State	Other	State	U.S. Govt	Pension	Colo. Capital	Tuition	Other	
Income Classes	Addback	Additions	Refund	Interest	Exclusion	Gains	Investment	Subtractions*	Total
Negative Income	\$14,762	\$14,648	\$3,888	\$3,751	\$20,666	\$4,306	\$576	\$3,980	(\$7,757)
\$ 0 to \$ 5,000	2,263	2,047	905	735	17,326	1,361	590	422	(17,029)
\$ 5,001 to \$ 10,000	3,899	2,586	1,457	1,764	65,692	1,188	1,091	1,452	(66,157)
\$ 10,001 to \$ 15,000	6,232	2,916	2,259	3,310	170,435	254	1,172	2,448	(170,730)
\$ 15,001 to \$ 20,000	9,674	2,950	3,392	4,196	241,194	567	1,225	3,559	(241,509)
\$ 20,001 to \$ 25,000	15,250	3,952	4,883	4,117	259,639	1,374	1,106	4,122	(256,040)
\$ 25,001 to \$ 35,000	58,840	8,968	15,376	8,753	540,627	3,152	2,005	9,961	(512,067)
\$ 35,001 to \$ 50,000	170,965	16,030	33,691	13,761	808,847	4,309	3,797	17,876	(695,286)
\$ 50,001 to \$ 75,000	376,295	28,156	60,987	24,912	1,259,772	10,938	7,737	31,048	(990,943)
\$ 75,001 to \$ 100,000	414,492	26,254	63,339	21,606	818,650	15,552	11,999	25,727	(516,127)
\$ 100,001 to \$ 250,000	1,006,106	87,459	103,368	49,800	986,787	103,856	57,200	36,209	(243,655)
\$ 250,001 and Over	826,103	241,957	95,342	77,333	181,024	559,273	57,719	65,144	32,225
Total (thousands)	\$2,904,881	\$437,924	\$388,888	\$214,036	\$5,370,658	\$706,130	\$146,217	\$201,949	(\$3,685,075)
State Tax @ 4.63 percent									
Revenue Impact**	\$134,495,985	\$20,275,871	\$18,005,524	\$9,909,889	\$248,661,483	\$32,693,834	\$6,769,867	\$9,350,249	(\$170,618,991)

N/A = Not Available.

*The wildfire mitigation subtraction is effective for tax years 2009 through 2013 and is not yet included in this data.

**Revenue impacts do not include impacts from negative income tax returns.

***The capital gains subtraction was not available until tax year 1999 due to a 5-year holding-period requirement.

Note: This is the most current data available.

Source: Colorado Department of Revenue, Statistics of Income.

Prepared by Legislative Council Staff: April 15, 2009.

Figure 1: State Income Tax Credits Claimed (1994-2008)

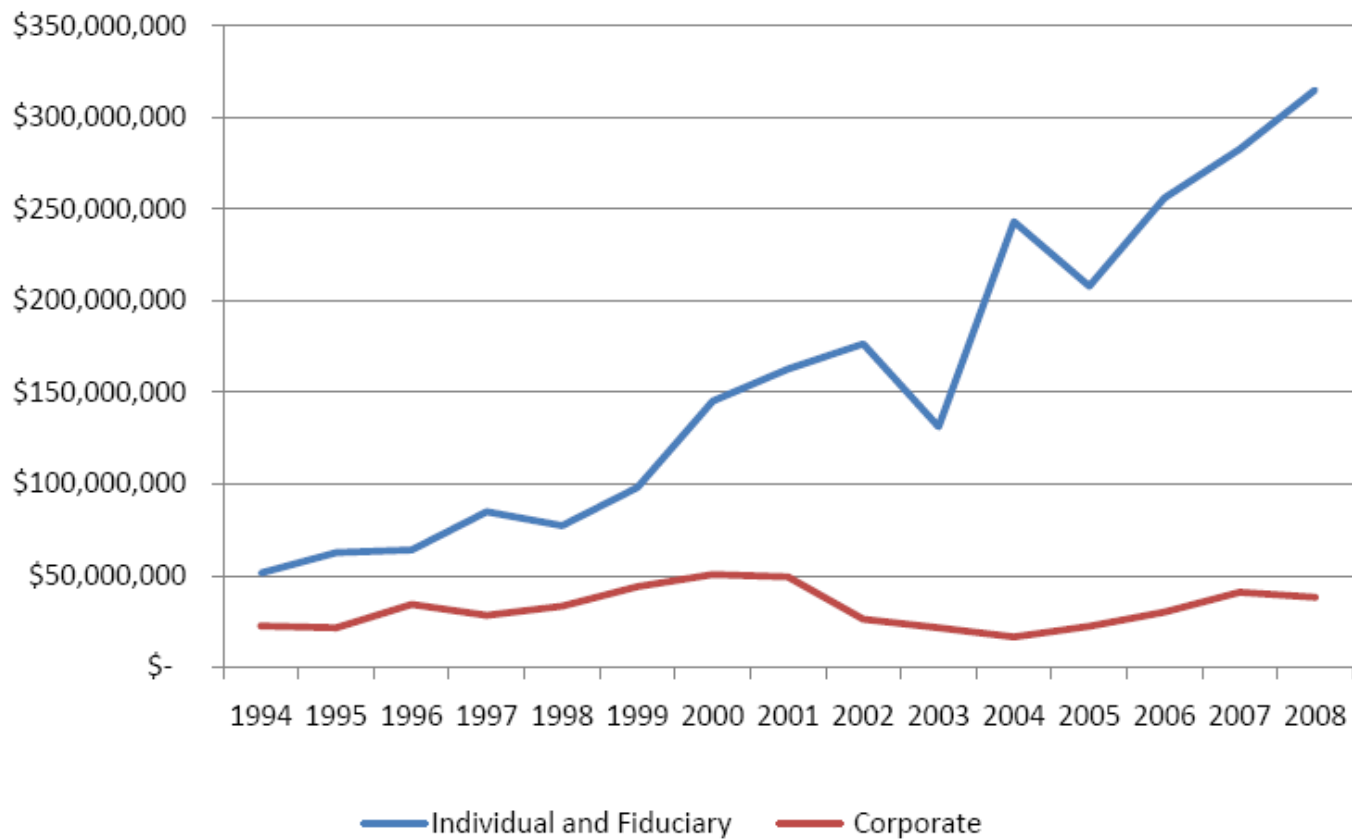


Table 5: State Sales and Use Tax Exemptions

Enacted Date	Colorado Revised Statutes	Colorado State Sales Tax Exemptions	2009 Estimated Revenue Impact
1935	§39-26-102(20)(a)	Exempts the sales to and purchases of tangible personal property that becomes a component part of a manufactured product or service.	594,652,668
	§39-26-715(1)(a)(I)and(2)	Exempts the sale of gasoline and special fuel. Also exempts the sales and purchases of electricity, coal, wood, gas, fuel oil, or coke sold, but not for resale (added in 1980).	210,174,896
1937	§39-26-102(21)	Exempts the sale and purchases of electricity, coal, gas, fuel oil, steam, coke, or nuclear fuel, for use in processing, manufacturing, mining, refining, irrigation, construction, telegraph, telephone, radio communication, street and railroad transportation services, and all industrial uses. Also includes newsprint and printer's ink for use by publishers of newspapers and commercial printers.	46,105,643
	§39-26-704(1)	Exempts all sales to the United States government and the state of Colorado, its departments and institutions, and political subdivisions.	81,435,865
	§39-26-718(1)(a)	Exempts all sales made to, and sales made by charitable organizations in the conduct of their regular charitable functions and activities.	40,747,722
1943	§39-26-102(15)	Exempts direct mail advertising materials distributed by persons engaged solely and exclusively in providing cooperative direct mail advertising.	8,576,932
	§39-26-102(21)	Exempts the sales and purchases of energy derived from specific sources for use in processing; manufacturing; mining; refining; irrigation; construction; street and rail transportation; telephone and telegraph; radio and television broadcasting; and industrial uses.	3,569,096
	§39-26-716(3)(a) & (4)(a)	Exempts the sale, storage and use of neat cattle, sheep, lambs, poultry, swine, goats, held and used for breeding purposes only.	72,106,174
1945	§39-26-716(4)(b)	Exempts the sale and purchase of feed for livestock, seeds, and orchard trees.	38,164,283
	§39-26-716(4)(a)	Provides an exemption for live fish for stocking purposes and goods sold at farm auction close-out sales.	3,799,640
1959	§39-26-704(3)	Exempts the sales of lodging fees for those who enter into a written lodging agreement for thirty or more consecutive days.	10,678,095
1961	§39-26-706(1)(a)	Exempts the sale, storage, or consumption of cigarettes. This exemption is not effective for FY 2009-10 and FY 2010-11 (HB09-1342) 7/	35,498,684
	§39-26-716(4)(c)	Exempts the sale of straw or bedding for use in the care of livestock or poultry.	61,691
1963	§39-26-704(2)	Prohibits a Colorado sales tax on retail sales within a distance of twenty miles within the boundaries of this state to persons resident, excluding corporations, of adjoining states, which adjoining states do not impose or levy a retail sales tax on such sales, if the resident of the adjoining states are in the same state for the express purpose of making purchases and not as a tourist.	1/
1965	§39-26-717(1)(a)	Exempts the sale of prescription drugs.	65,055,079
1969	§39-26-704(4)	Exempts all sales made to schools, other than schools held or conducted for private or corporate profit.	23,744,662
1970	§39-26-716(4)(a)	Provides an exemption for live fish purchases used for stocking.	73,302
1976	§39-26-712(1)(a) & (1)(b)	Exempts new and used trucks and trailers that are purchased for interstate commerce or use outside of the state that will permanently be licensed and registered outside the state of Colorado.	5,136,266
	§39-26-102(10)(f)	Exempts the transfers of assets in certain types of corporations in exchange for stocks or securities.	1/
1977	§39-26-113(5)(a)	Exempts the sales of new or used automobiles for use outside Colorado by nonresident purchasers.	3,005,297
	§39-26-710(1)(a)	Exempts the sales of construction and building materials to a common carrier by rail operating in interstate or foreign commerce for use by the common carrier in construction and maintenance of its railroad tracks.	1,182,288
	§39-26-713(1)(a)	Specifies the timing of taxation that takes place either upon acquisition of a personal asset to throughout the lifetime use of the asset.	1/
	§39-26-713(1)(c)	Exempts the sale of tangible personal property for testing, modification, inspection, or similar type of activities in the state if the ultimate use of the property in manufacturing or similar type of activities occurs outside of this state and if the test, modification, or inspection period does not exceed 90 days.	1/
	§39-26-716(2)(a)	Exempts special fuel for farm vehicles when such vehicles are being used on farms and ranches.	3,427,139
1978	§39-26-717(1)(a)	Exempts the sale of insulin.	603,522
	§39-26-104(1)(e)	Exempts the value of free or reduced rate meals given to employees in food service establishments.	47,992
	§39-26-707(1)(c) & (1)(d)	Exempts the sale of any article, container, or bag to a retailer or vendor of food if the article, container, or bag is given to the consumer with no additional charge.	2,664,464
1979	§39-26-713(1)(b)	Exempts the transfer of tangible personal property when used for the purchase, sale, or promotion of the transferor's product, to an out-of-state vendee for use outside the state in selling products normally sold at wholesale by the transferor.	40,779
	§39-26-707(1)(e)	Exempts the sale of food for domestic home consumption.	251,668,497
	§39-26-708(1)	Exempts the sales of construction and building materials to contractors and subcontractors for use in the building, erection, alteration, or repair of structures, highways, roads, streets, and other public works owned and used by the United States government, the state of Colorado, its departments and institutions, political subdivisions, charitable organizations, and public schools.	91,653,536
1979	§39-26-709(1)	Exempts the sales of machinery and machine tools used in the manufacturing process.	90,825,007
	§39-26-715(1)(a)(II)	Exempts fuel used for residential heat, light, and power.	93,962,379
	§39-26-716(4)(c)	Exempts the sale of straw for livestock bedding.	3/

TABLE 3: State Sales and Use Tax Exemptions

Enacted Date	Colorado Revised Statutes	Colorado State Sales Tax Exemptions	2009 Estimated Revenue Impact
1979 (cont.)	§39-26-717(1)(a)	Exempts various items needed by diabetics, other than insulin, from sales tax.	2,224,680
	§39-26-721(1)	Exempts forty-eight percent of the purchase price of factory built housing.	5,229,121
1980	§39-26-717(1)(b) & (1)(c)	Exempts various medical equipment, devices, and accessories as defined in detail in the statute.	8,400,385
	§39-26-102(20)(b)	In food manufacturing, certain processes occur which require materials to be consumed that do not become a final component part of the manufactured good and are unfit for further use. Along with the property which becomes part of the food product, those goods that are unfit for further use and are not part of the final product manufactured are exempt from sales tax.	8,614,377
1982	§39-26-102(21)	Exempts nuclear fuel when deemed a wholesale sale.	1/
	§39-26-706(3)	Exempts the sales and purchases of refractory materials and carbon electrodes used by a person manufacturing iron and steel for sale or profit and all sales and purchases of inorganic chemicals used in processing of vanadium-uranium ores.	4,426
1984	§39-26-711(1)(a)	Exempts the sales of aircraft purchased by commercial airlines who have regularly scheduled flights.	4/
1985	§39-26-102(15)	Exempts the sale of newspaper advertising supplements.	1,863,759
1986	§39-26-714(1)	Exempts the sales of vending machine items less than 15 cents.	1/
	§39-26-707(1)(a)	Exempts all sales of food purchased with food stamps.	5,957,101
1987	§39-26-707(1)(b)	Exempts all sales of food purchased with funds provided by the special supplemental food program for women, infants, and children (WIC), as provided for in 42 U.S.C. sec. 1786.	1,110,072
1990	§39-26-102(15)	Exempts direct mail advertising materials distributed by persons engaged solely and exclusively in providing cooperative direct mail in advertising.	1,698,699
1991	§39-26-711(1)(b)	Exempts the sale of tangible personal property that is to be permanently affixed or attached as a component part of an aircraft.	773,241
	§39-26-102(19)	Exempts materials used in the printing process that are unique enough where they cannot be reused for another order as they are customized to the print job requirements for one particular customer order.	20,466
1992	§39-26-710(1)(b) & (1)(c)	Exempts the sale of tangible personal property that is to be affixed or attached as a component part of a locomotive, freight car, railroad work equipment, or other railroad rolling stock, or the sale of locomotives, freight cars, railroad work equipment, and other railroad rolling stock used or purchased for use in interstate commerce by a railroad company.	3/
1995	§39-26-718(1)(b)	Exempts special event sales by charitable organizations.	3/
1996	§39-26-202(1)(c)	Exempts the sales of wireless equipment used as an inducement to enter into or continue a contract for taxable telecommunication services.	1,087,993
	§39-26-706(2)(a)	Exempts sales of internet access service but does not include that portion of packaged or bundled services providing phone or television cable services when the package or bundle includes the sale of internet access services.	15,541,030
1998	§39-26-713(1)(d)	Exempts the value of a manufactured good donated directly from the manufacturer to a tax-exempt organization.	420,424
	§39-26-402(1)	Provides a sales tax exemption for the sales of tangible personal property that is to be used in Colorado directly and predominantly in research and development of biotechnology during the calendar year.	654,628
	§39-26-706(4)	Exempts all sales of precious metal bullion and coins, as defined in C.R.S. §39-26-102(2.6) and (6.5).	561,797
	§39-26-714(2)	Exempts the sale of food through vending machines.	9,074,112
	§39-26-716(2)(b) & (3)(b)	Exempts the sale of farm equipment.	5,783,764
1999	§39-26-716(2)(d) & (3)(d)	Exempts the sales of agriculture compounds that are consumed by, administered to, or used while caring for livestock and all sales and purchases of semen for agricultural or ranching purposes.	3,278,477
	§39-26-716(2)(e) & (3)(e)	Exempts the sales of pesticides that are registered by the commissioner of agriculture and livestock products and offered for sale by dealers licensed to sell such pesticides.	2,001,892
	§39-26-718(1)(a)	Exempts special events sales by veterans' organizations.	2,374,042
	§39-26-719(1)(a)	Exempts the sale of low-emitting vehicles greater than 10,000 lbs. and any kits to convert them.	<500,4/
	§39-26-106(3)(a)	If the state collects a threshold level of surplus revenues under Article X, Section 20 of the State Constitution (TABOR), a sales tax exemption is granted for the sales of commercial vehicles over 26,000 pounds in gross vehicle weight.	2/
2000	§39-26-502(2)	If the state collects a threshold level of surplus revenues under Article X, Section 20 of the State Constitution (TABOR), a sales tax exemption is granted for the sales of pollution control equipment sold to businesses.	2/
	§39-26-716(2)(b) & (3)(b)	Exempts the sale of farm parts used in the repair or maintenance of farm equipment (combined with §39-26-716(2)(b) & (3)(b), sales of farm equipment).	3/
2001	§39-26-716(2)(b) & (3)(b)	Exempts the sales of dairy equipment.	52,733
	§39-26-720(1)	Exempts the sales to bingo-affle licensees of bingo and raffie equipment.	155,454

Table 5: State Sales and Use Tax Exemptions

Enacted Date	Colorado Revised Statutes	Colorado State Sales Tax Exemptions	2009 Estimated Revenue Impact
2002	§39-26-104(1)(c)(I)	Enacted to comply with the "Mobile Telecommunications Sourcing Act", 4 U.S.C. secs. 116 to 126. The provisions are intended to simplify how cell phone service is taxed by having customers designate a billing address for their service. Cell phone service is billed according to the tax laws at the billing address. In summary, only those who have cell phone service billed to a Colorado address are subject to the Colorado state sales tax. Otherwise, they are exempt from paying the Colorado sales tax.	1/
2007	§39-26-722(1)	Exempts the sale of any infrastructure required to create a clean room in a manufacturing facility. <u>Effective thru FY 2016-17 only if total state General Fund appropriations growth is forecast at 6 percent over the prior year.</u>	3,637,100
2008	§39-26-725(1)	Sales by schools, parent or teacher organizations, booster groups, or other groups or clubs to support a school activity.	210,000
	§39-26-723(1)	Sales, storage, and use of wood products that come from trees salvaged from pine beetles. Effective thru FY 2012-13.	680,000
2009	§39-26-711.5(1)(a)	Sales of new or used aircraft in the state to nonresidents who use the aircraft outside the state.	6/
	§39-26-724(1)(b)	Exempts the sale, storage, and use of components used in thermal systems whose primary purpose is to use energy from the sun to produce heat or cold for heating or cooling a residential or commercial building or water, or other manufacturing process. Effective thru FY 2013-14.	254,652
Total Revenue Impact for 71 Exemptions			\$ 1,821,190,241
1/ Not Available. 2/ Only available as a refund of sales tax paid if the state excess revenues under Article X, Section 20 or the State Constitution exceed \$350 million as adjusted annually for growth in personal 3/ Amount combined with other exemption. 4/ Non-Disclosable. 5/ Only available during years total state General Fund appropriations growth is forecast at 6 percent over the prior year. 6/ Minimal impact. 7/ House Bill 09-1342 eliminated the state sales and use tax exemption on purchases of cigarettes for fiscal years 2009-10 and 2010-11.			